

Good Evening. My name is Robert Arden. As to my background, I have a Ph.D. in economics.

My comments on the proposed rate increase include fairness, incentives, and return on shareholder equity.

1. Fairness: Duke uses a two part tariff which includes a fixed charge and a usage charge. The increase in the fixed charge from \$8.29 to \$28.00 per month is **regressive**. For example, high income families will have a smaller increase in their electric utility bills than low or middle income families will have. With rising inequality, this raises the question: **Why impose an unfair rate increase on low and middle income families?**
2. Incentives: Also, Duke Energy Carolinas is lowering the usage charge. This is designed to reduce people's incentives to use alternative sources of energy or energy efficient housing and appliances. Duke Energy Carolinas acknowledges that it faces competition from these sources which are slowing the growth of Duke's sales. This rate structure allows Duke to tap into the consumer's pocketbook while encouraging usage to protect Duke's revenues. With climate change considered a crisis this is the wrong direction for Duke Energy. **The rate structure should encourage people to be more energy efficient.**
3. Return on Equity: In 2018, Duke Energy's return on shareholder equity was about 6.2% and 9.3% for Duke Energy Carolinas. Duke Energy Carolinas' return on equity compares favorably with the roughly 10% return on equity for the electric utility industry and peer companies like Exelon and The Southern Company. Furthermore, both Duke Energy and Duke Energy Carolinas have lower levels of productivity compared to these peer companies as measured by asset turnover. Duke can control its own destiny regarding return on equity by improving its productivity. On the other hand, the cost of equity for utilities excluding water utilities, according to one expert is 4.3% not the 10.75% in the Duke filing. In terms of credit ratings Duke Energy Carolinas is rated high according to both the S&P and Moody's credit rating agencies. **A rate increase to support a higher return on shareholder equity for Duke Energy Carolinas is not warranted based on this information.**

Duke Energy Carolinas should invest in a safe, secure and reliable infrastructure, and consumers fund these investments but rates must be set in an appropriate and judicious manner which is not the case here. **The current rate increase request should in my opinion be reduced and restructured.**

Thank you.

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Economist

